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on Thursday, 16 May 2002, at 10 a.m.

President: Mr. HORVÁTH (Hungary)

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The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 2001 (*continued*) (IDB.25/2 and Add.1; IDB.25/CRP.7, IDB.25/CRP.8)

1. **Mr. S. L. MOHAMMED** (Nigeria) said that so far only about 30 per cent of the required amount of US$ 257 million had been mobilized for the funding of the Organization's 44 integrated programmes. There was a general decline in resources for technical cooperation, but the demand for UNIDO's expertise in the developing countries, including Africa and the least developed countries (LDCs), was growing. Nigeria called upon all Member States and donor countries to increase their voluntary contributions to UNIDO, in particular to the Industrial Development Fund, and facilitate access to funds available from bilateral sources to finance the implementation of the integrated development programmes.

2. The Government of Nigeria had approved and released the sum of US$ 1 million in 2001 for the trust fund established for the implementation of the country service framework for Nigeria. In 2002, Nigeria had allocated US$ 5 million to the fund from its budget. The country service framework should help to strengthen Nigeria's ailing industrial sector.

3. The financial situation of UNIDO was gradually improving. While his delegation was pleased that the rate of collection of assessed contributions had increased, it noted with concern that the voting rights of many countries continued to be suspended. Nigeria welcomed Ukraine's payment of the first instalment of its contributions under the payment plan that had been approved at the ninth session of the General Conference. All Member States that had not yet done so should pay their assessed contributions in full and make use of the payment plan mechanism to settle their arrears.

4. His delegation was in favour of any activity that enhanced the visibility of UNIDO, and supported global forum activities. However, such activities should be undertaken only if they would have a direct impact on technical cooperation delivery. His delegation noted the Organization's participation in the International Conference on Financing for Development in Monterrey, Mexico, and in the forthcoming World Summit on Sustainable Development in Johannesburg, South Africa. It urged the Secretariat to make adequate preparation for effective participation in such meetings and to ensure that their follow-up dovetailed with UNIDO's technical cooperation activities.

5. The 1997 Business Plan on the Future Role and Functions of UNIDO had been aimed at making the Organization more responsive to the needs of its clients, and it had called for substantive deployment to the field. Particular emphasis should continue to be placed on the role of the field offices in the formulation and implementation of technical cooperation programmes and projects. While his delegation supported the consolidation of the existing structure at UNIDO Headquarters, it hoped that the current restructuring exercise would be the last that the Organization would undertake in the near future. UNIDO needed time to stabilize, and the various officials should be given substantive responsibilities in the performance of their tasks.

6. His delegation urged all Member States to assist UNIDO in its efforts to provide technical assistance to the developing countries. The Organization had an important role to play in Africa's implementation of the New Partnership for African Development (NEPAD).

7. **Mr. MORALES CARBALLO** (Cuba) said that UNIDO was capable of playing a more active role in promoting sustainable industrial development in the developing countries. Sustainable industrial development could be achieved only with the cooperation of the international community. His delegation fully supported the concept of integrated programmes as the most suitable procedure for technical cooperation.

8. The integrated programme for Cuba, which had begun at the end of 1999, had been consistently implemented and had concentrated available resources on increasing competitiveness in production related to the tourist sector. Efforts had been made to strengthen the food industry, promote the application of information technology to the industrial sector, ensure the quality control of meat, milk and vegetable products, increase energy efficiency, protect the environment, improve business management, foster cleaner production and promote foreign investment. The Government of Cuba was fully committed to achieving all the objectives of the integrated programme.

9. His delegation supported the Organization's intention to concentrate its activities in areas that offered advantages for the developing countries.

10. **Ms. ZVEREVA** (Belarus) said that UNIDO had achieved stability and enhanced its global forum function, and an agenda for strategic research activities had been finalized. Strategic research relating to technology transfer, development of small and medium enterprises (SMEs) and market access would help developing countries and countries with economies in transition to revitalize their economies; it should also result in the implementation of relevant technical cooperation projects.

11. Her delegation was in favour of the further development of the Regional Programme on Technology Foresight for Central and Eastern Europe and the Newly Independent States. Technology foresight played a key role in economic growth and was of paramount importance to countries with economies in transition. In Belarus, technology foresight was an area that had not received sufficient attention, and the Organization's assistance in training national experts to prepare a national technology development strategy would have a considerable impact on the economy as a whole.

12. Her delegation welcomed the increase in technical cooperation in 2001, and commended the steps that UNIDO had taken to mobilize funds, improve project effectiveness and take into consideration the views of recipients of technical assistance. At the same time, Belarus was concerned at the trend towards reducing the level of technical cooperation for Europe and the Newly Independent States. Her delegation had repeatedly stressed that investment in the modernization of the industrial potential of countries with economies in transition would benefit the Organization, since UNIDO's assistance would help to transform the States of the region into donor countries.

13. Belarus was interested in developing active cooperation with UNIDO. In December 2001, the National Technology Transfer Centre, which had been established as part of a UNIDO project, had opened in Minsk. As curator of the project, the Deputy to the Director-General of UNIDO had taken part in the opening ceremony and had later met with representatives of Belarusian ministries and research institutes. She hoped that the agreements reached in those meetings would serve as the basis for the further development of cooperation between Belarus and UNIDO.

14. The National Technology Transfer Centre had contributed to the transfer of technology to the Chinese province of Shandong. Fourteen agreements on the creation of new enterprises based on technology transfer from Belarus to China had been signed, and over 100 research projects were being considered by China. Technical partnerships had been established with two other Chinese provinces.

15. Belarus was currently holding talks with the Secretariat on the preparation of a project for the promotion and application of developments in the field of renewable sources of energy. Her delegation hoped that the Secretariat would support that initiative, which could be implemented at both the national and regional levels.

16. **Mr. ZHANG Yan** (China) said that his delegation was pleased to note the increase in the number of new programmes approved in 2001 and in the adoption of technical cooperation projects. Over the past year, UNIDO had participated in a series of international conferences, including the International Conference on Financing for Development, which had opened new horizons for the further development of UNIDO and its cooperation with other international organizations and agencies. The International conference had also strengthened the Organization's role and impact and heightened its visibility in the international arena.

17. Over the past year, cooperation between UNIDO and China had increased significantly, particularly in the areas of investment and technology promotion and environmental protection. The Investment and Technology Promotion Office (ITPO) that UNIDO had recently opened in Shanghai had attracted foreign investment to China. His delegation urged UNIDO to ensure a greater participation of ITPOs in the national investment forum held every September in Xiamen, China. The involvement of UNIDO would help government agencies to publicize and utilize the ITPO Network to improve China's contacts with the outside world.

18. Very positive cooperation in the field of environmental protection had been developed between UNIDO and the Government of China and progress had been made in securing financing through the Global Environment Facility (GEF) and foreign direct investment. His Government intended to organize an international workshop in that field in cooperation with UNIDO. It was making every effort to ensure that the workshop was a success, and his delegation hoped that all interested Member States would participate in it.

19. Although China had been making outstanding progress in economic development over the past decades, certain remote areas in western China had been lagging behind. China hoped that UNIDO would play an active role in developing those areas by providing assistance in poverty alleviation and the promotion of industrial development.

20. **Mr. NOBILO** (Croatia) said that cooperation between UNIDO and other organizations and bodies of the United Nations system in the field of poverty alleviation should be strengthened. His delegation welcomed efforts to increase the programmatic dialogue between the European Union and UNIDO, and hoped that developing countries would benefit from that cooperation. It also welcomed the finalization of agreements between UNIDO and GEF which had paved the way for a number of projects, including a project on persistent organic pollutants (POPs) in Croatia. That project, as well as a project that would be financed by the Government of Hungary, would further strengthen Croatia's Cleaner Production Centre and help Croatia to eliminate POPs and fulfil its obligations under the Stockholm Convention. The project would also provide decision makers, managers, industry and the general public with a better understanding of such pollutants.

21. Cooperation between UNIDO and Croatia should be intensified, particularly in the field of environmental protection and enterprise efficiency. Only a few projects involving UNIDO were being implemented in Croatia; owing to a lack of funding, a number of projects had not yet been begun.

22. His delegation was particularly interested in participating in such regional projects as the UNIDO Programme on Transfer of Environmentally Sound Technology (TEST) to Reduce Transboundary Pollution in the Danube River Basin. The regional dimension of UNIDO activities in 2001 had been substantive, and his delegation commended the organization of the Regional Conference on Technology Foresight for Central and Eastern Europe and the Newly Independent States and the Warsaw Regional Forum on E-Productivity and Quality. Such conferences could lead to the formulation of programmes in which Croatia could participate.

23. The further success of the transformation and revitalization of UNIDO would give it a new identity and enhance its position within the United Nations system. The Organization should continue to participate in international efforts to promote industrial development and poverty alleviation in pursuit of the goals of the Millennium Declaration.

24. **Mr. CHUNG Hae-moon** (Republic of Korea) commended the Director-General on UNIDO's successful performance during his first term in office: financial resources had been replenished, structural reform and staff reduction had increased the Organization's efficiency and an increasing number of projects and programmes had been undertaken in the developing countries. His delegation supported the Director-General's efforts to make UNIDO a more relevant and result-oriented organization.

25. UNIDO should increase its focus on programmatic activities to promote the sustainable development of countries in need. It should expand its integrated programmes in developing countries and expedite the implementation of the integrated programmes currently being prepared. At the same time, UNIDO should step up its funding efforts in order to ensure the stability and effectiveness of the integrated programmes. In that context, his delegation welcomed the proposal for a UNIDO strategy paper put forward by the Government of Japan. The objective of the proposal was to give the Organization a more focused and result-oriented approach. He hoped that action would be taken on the proposal.

26. **Mr. NAQVI** (Pakistan) said that, over the past few years, there had been an enormous improvement in the Organization's overall performance. The donor countries were more favourably disposed towards UNIDO, and the payment of assessed contributions by developing countries had improved considerably. His delegation urged the Secretariat to make efforts to encourage the developed countries that had left the Organization in the 1990s to return.

27. Funding for the integrated programmes remained low, and only about 31 per cent of the required funds had been available at the end of 2001. The situation was particularly unsatisfactory in the case of Asia and the Pacific. For some countries, less than 10 per cent of the funds needed had been mobilized.

28. UNIDO's integrated programme for Pakistan comprised five basic components: cleaner production and environment management; industrial capacity-building for SME development; metrology, standardization, testing, quality insurance and continuous improvement; regional development; and industrial investment promotion. In addition, UNIDO was assisting Pakistan in developing an industrial information network. Five projects for the phasing-out of the use of ozone-depleting substances in industrial processes had been completed. Those projects, including the Cleaner Production Centre for Fuels, had been funded by the Multilateral Fund for the Implementation of the Montreal Protocol and implemented by UNIDO. The Director-General's forthcoming visit to Pakistan would help to consolidate and enhance UNIDO activities in Pakistan.

29. Over the past two decades, Pakistan had sought to promote industrial development through a policy of economic liberalization, deregulation and privatization. Tariff duties had been reduced, financial institutions had been reorganized and most public-sector assets had been privatized. All sectors of the economy, including infrastructure and utilities, had been opened to domestic and foreign private-sector investment. The investment regime had been liberalized, and the Board of Investment had been restructured to provide one-window operation to encourage foreign investment. Pakistan's industrial sector accounted for 17.5 per cent of its gross domestic product (GDP).

30. Given the important role of SMEs in the development of its economy, Pakistan was paying serious attention to that sector. As a result of special policies, Pakistani SMEs were providing employment for more than 80 per cent of the industrial workforce and contributing more than 50 per cent to the export receipts of the manufacturing and value-added sector, and over 40 per cent to GDP. With further encouragement and support, SMEs could contribute even more to Pakistan's economic well-being.

31. **Mr. ZSIGMOND** (Hungary) said that the Annual Report indicated that in 2001 Asia and the Pacific and Africa had accounted for the bulk of the Organization's technical cooperation, which was in keeping with

UNIDO's mandate. As an emerging donor, Hungary had supported projects in those regions. The share of the Central and Eastern European countries and the Newly Independent States in the Organization's technical cooperation activities was about 7 per cent, which his delegation considered to be fair. The medium-term programme framework, 2002-2005, provided for technical assistance to the so-called "middle-income" countries. Hungary paid close attention to those facts when it implemented its donor policy.

32. The Regional Programme on Technology Foresight for Central and Eastern Europe and the Newly Independent States, which had been launched by UNIDO in 2001, had aroused significant interest among decision makers in the region. As a result, several national technology foresight programmes had been discussed with experts from the Secretariat. The Government of Hungary would continue to support the Regional Programme, from which Hungary had gained very positive experience. Technology foresight promoted competitiveness and economic growth and enabled countries to formulate technology innovation policies and strategies. The Secretariat should make the information on existing technology foresight programmes available to all interested parties and provide assistance in establishing new regional programmes on demand, making use of a global programme approach that would facilitate the transfer of knowledge and technology between regions.

33. His delegation fully endorsed chapter III of the Annual Report, which dealt with sectoral support and environmental sustainability. Cooperation between UNIDO and GEF was the best way to ensure the Organization's active involvement in the implementation of such important international instruments as the Stockholm Convention on Persistent Organic Pollutants. UNIDO and GEF should manage projects that assisted interested countries and regions in identifying and eliminating stockpiles of POPs. In that regard, his delegation strongly supported the meeting on strategies and priorities for the environment being organized in June by Slovakia, in cooperation with UNIDO.

34. **Mr. SCHNYDER VON WARTENSEE** (Switzerland) said that his delegation had noted with satisfaction that sub-Saharan Africa and LDCs continued to benefit from more than half of the integrated programmes. Those countries required the Organization's continued support.

35. The Organization's new integrated strategy, which involved the coordination of efforts with the strategies and activities of partner countries and measures conducted by other organizations donors, as well as within UNIDO itself, seemed particularly relevant. His delegation appreciated the spirit of dialogue that characterized relations between Member States and the Board and had made it possible to conduct a joint evaluation of the impact of the integrated programmes. More generally, his delegation commended the Organization's efforts to strengthen its cooperation with other organizations of the United Nations system, the private sector and academic circles.

36. Switzerland supported the Organization's involvement in major international conferences, such as the forthcoming World Summit on Sustainable Development, which would enable UNIDO to demonstrate its comparative advantages in the field of technology promotion, particularly the promotion of sustainable technologies.

37. His delegation attached great importance to sustainable industrial development; that area had accounted for most of Switzerland's cooperation with UNIDO over the past few years. Switzerland had also made a considerable contribution to the National Cleaner Production Centres (NCPCs) programme. The centres not only facilitated the transfer of environment-friendly industrial technologies but also helped to disseminate the international conventions on the environment. Switzerland was very satisfied with the results that had been achieved by the programme and would continue its activities in that area in close cooperation with UNIDO. It also planned to support an International Labour Organization (ILO) programme on labour standards, which could be easily applied to NCPCs. With their well-established contacts with innovative enterprises, NCPCs could assist enterprises interested in conducting activities in the fields of development and human resources management. International agencies should continue their efforts to harmonize their development cooperation activities in order to improve the impact of their programmes and avoid duplication. Consideration should be given to the establishment of new NCPCs, particularly in South Africa.

38. A week earlier, Switzerland, in cooperation with UNIDO and local partners, had launched a new programme for sustainable environmental technologies in India. In June, a similar programme would be begun in China. Those two programmes were based on the transfer of sustainable technologies and the development of environment- and resource-friendly production. Technology transfer was an important means of promoting development in the developing countries and countries with economies in transition.

39. With regard to investment promotion and institutional capacity-building, his delegation welcomed the strengthening of the role of ITPOs. At the same time, it recognized the need to update the guidelines for those offices. In order to take advantage of synergies, ITPOs and NCPCs should cooperate more closely with the Swiss Import Promotion Programme and the Swiss

Organization for Facilitating Investments. His delegation commended UNIDO on the measures it had taken to improve the system of performance indicators and introduce a new system of result-based management.

40. Environment-friendly industrialization was an area in which UNIDO had a strong comparative advantage. His delegation approved the introduction of a more sectoral approach in NCPCs with a view to improving the adoption of environmental technologies.

41. Switzerland had decided to use the unutilized balances of appropriations, income from new Member States and interest accruing to it as a general-purpose contribution to the Organization's Industrial Development Fund. In the era of globalization, the developing countries and LDCs faced a real risk of marginalization and were in urgent need of support for their efforts to broaden their industrial base and increase their participation in international trade.

42. **Mr. PALACIOS CEVALLOS** (Ecuador) said that global forum activities were important for improving the impact of industrialization on social and economic development. At the same time, the global forum should support technical cooperation, taking into account the Business Plan and the medium-term programme framework, 2002-2005. The initiatives concerning biotechnology and technology foresight in Latin America had demonstrated how the global forum role could be linked with technical cooperation.

43. In March 2002, the Director-General had visited Ecuador for the purpose of launching the integrated programme to support the sustainable improvement of Ecuador's industrial competitiveness. The Director-General had met with the President of Ecuador, the Minister for Foreign Affairs and the Minister of Foreign Trade, Industrialization, Fisheries and Competitiveness. On 19 April 2002, the integrated programme for Ecuador had been launched in Vienna, and a document had been signed on the use of the US$ 1 million in seed money, which had been allocated in equal parts by the Government of Ecuador and UNIDO, for programme activities. In addition, an agreement on the establishment of a UNIDO-administered trust fund for programme activities had been signed. The overall cost of the integrated programme, which would be implemented over a three-year period, was US$ 4.7 million. Activities under the programme included: assistance to the National Council on Competitiveness; assistance to SMEs; investment promotion and trade cooperation; and energy efficiency and cleaner production.

44. The Government of Ecuador hoped that the Organization's contribution to Ecuador's economic and social development would help it to achieve sustainable growth, increase the competitiveness of its economy, create employment and promote foreign direct investment and technology transfer. His delegation was counting on the valuable support of countries in a position to contribute to the implementation of the integrated programme for Ecuador.

45. **Mr. GONZALEZ ANINAT** (Chile) said that his Government had agreed to host a global meeting on biotechnology to be organized by UNIDO in September 2003. The President of Chile had given the event his full backing and every effort would be made to ensure that the meeting was of practical benefit for all Members of the Organization.

46. While his delegation fully recognized that UNIDO should focus its technical cooperation programmes on the industrial development of the Member States whose need for such assistance was greatest, the importance of the Organization's global forum activities should not be overlooked. General Conference resolution GC.9/Res.2 on the medium-term programme framework, 2002-2005, had stressed the importance of global issues, and biotechnology, which was crucial for raising living standards, was an issue of global concern. Over 100 million people currently benefited directly from biotechnological products such as vaccines, drugs, insulin and antibodies. Biotechnology had also contributed significantly to the food industry, the cleaning-up of contaminated soil and the production of new materials. The transgenic seed market had risen from 1 million seeds in 1995 to 3 billion in 2000, and the economic value of biotechnology in pharmaceuticals would rise to US$ 28 billion in 2004. In the face of such startling progress, it was important that ethical and legal considerations were taken into account. The forthcoming meeting on biotechnology would provide an appropriate opportunity for such discussions. It would be possible for developing countries to exchange experiences with developed countries, seek solutions to the most pressing problems and explore the possibility of industrial development agreements providing for biotechnological production in the developing countries.

47. **Mr. CHOVAN** (Observer for Slovakia) welcomed the reported improvements in the Organization's activities, and particularly in its work on the environment, which should be one of its key strengths. He confirmed his delegation's commitment to the implementation of the medium-term programme framework, 2002-2005, which remained the basis for UNIDO activities in the area of cleaner and more sustainable industrial development. Through cooperation with the respective global and regional institutions, UNIDO could play a crucial role. His delegation strongly supported new regional initiatives on the transfer of environmentally sound technologies, which must constitute the basis of sustainable long-term social and economic development.

48. Increased dialogue among Member States could assist countries in strengthening their national capabilities, enhancing understanding within the industrial sector and raising awareness among the public at large. Regional initiatives would also help them better meet the obligations of multilateral environmental agreements. In that context, he drew attention to the International Ministerial Forum on Strategies and Priorities for Environmental Industries, to be held in Bratislava, in cooperation with UNIDO, in June 2002. The Forum would aim to build awareness and elaborate strategies and priorities to improve the level of regional cooperation in the economic and environmental fields.

49. His delegation fully supported the proposed guidelines on Investment Technology Promotion Offices contained in document IDB.25/4. Widening the mandate of ITPOs would give developing countries and countries with economies in transition the opportunity to extend the range of potential sources of investment. In his country, a joint evaluation team of independent experts was to evaluate the functioning of the ITPO in Bratislava, which had been in operation for three years. He looked forward to a new era of cooperation between his country and UNIDO.

50. **Mr. TOUQ** (Jordan) said that, valuable as the Organization's global forum activities were, they should be focused on more specific issues, with goals that could, in the light of recent developments in industrial production methods, be achieved in the medium and long term. There should also be a better balance between competence criteria and geographical distribution when it came to technical assistance programmes.

51. His delegation welcomed the plans to hold an international meeting on biotechnology in Chile in 2003. Efforts should be made to ensure that all Member States, especially the least developed countries, were given the opportunity to participate.

52. UNIDO should expand its work on international cooperation for industrial development by redoubling its efforts to bring in the private sector, even though that task was complicated by the fact that UNIDO and the private sector were, in effect, sometimes in competition with each other. At the same time, UNIDO should seek to strengthen South-South cooperation, particularly by bringing to Member States' attention successes achieved in other States, so that all could benefit.

53. Much had been achieved through the integrated programmes, which displayed considerable quality and effectiveness. The policy should undoubtedly be pursued. The programmes were, however, faced with the basic problem of inadequate funding. Every effort should be made to encourage more donors to come forward. In that context, he expressed gratitude to the Government of Italy for its contribution to the integrated programme for Jordan, which had brought about a marked improvement in competitiveness in the food industry and created a more favourable business environment. The programme still, however, suffered from a 40 per cent shortfall. Employment generation in rural areas of the country was essential if poverty was to be alleviated. More funds should also be generated for capacity-building in developing countries, with a particular emphasis on marginalized groups, including women. More support should be given to integrating the private sector into international markets and improving its competitiveness under the conditions of globalization.

54. He commended the Organization's success in updating its structures and working methods. The "balanced scorecard" system for measuring performance was promising, but he cautioned against over-enthusiasm in evaluating the cascade effect: it could lead to increased pressure to appoint managers. There was evidence at international level that the result might be a waste of money and effort. A more reliable way forward was to provide more training for staff in both the Professional and General Service categories, together with more rigorous performance ratings. UNIDO still seemed to have too many staff at the top level of the Professional category.

55. **Ms. FEROUKHI** (Algeria) said that the reported developments in the technical cooperation programme were encouraging. Overall, the structural reforms in the Organization had been impressive. It was, however, important for rationalization not to be at the expense of the Organization's raison d'être: the industrial development of the developing countries.

56. One encouraging feature of the integrated programmes was that they had aroused new interest in Member States, which appreciated their innovative and challenging approach. The innovation lay in the strong partnership forged between UNIDO and the Member State concerned, which together had to find the necessary funding, while the challenge, for the State, lay both in mastering the technical aspects of the programme and in overcoming the difficulties always encountered in mobilizing funds. For all its benefits, however, such an innovative approach could also lead to delays and uncertainty. The level of funding often did not match the requirements. Her Government made an initial financial contribution in 2001 and would shortly make a second. She expressed gratitude to the Governments of France and Italy for their contributions. She also urged the Director-General to redouble his efforts to mobilize the funds required to implement the integrated programme in full.

57. The reform of UNIDO must go hand in hand with the availability of stable financial resources, and the regular payment of assessed contributions was funda-

mental. It would also be helpful if the developed countries would reaffirm their commitment to devote 0.7 per cent of their gross national product to Official Development Assistance (ODA). That would send a strong signal of international solidarity with the most disadvantaged.

58. Her Government's recent partnership agreement with the European Union and its renewed negotiations to join the World Trade Organization (WTO) were but two aspects of the country's reform programme, which would involve the progressive opening up of the economy, particularly in the energy and mining industries, agricultural food products and some service sectors. Administrative structures and practices would be reformed and legislation adopted to make investment more flexible, transparent and up to date. The reforms were all part of a US$ 7 billion three-year programme (2002-2004) to boost the economy, with the priorities being poverty alleviation, job creation, regional balance, environmental protection and sustainable development. The programme aimed at building capacity, increasing competitiveness and, above all, improving educational levels to enable the population to deal with globalization: all familiar issues for UNIDO, which it was hoped would become more closely involved with Algeria.

59. The environment and sustainable development were linked in a 10-year programme, with a total value of US$ 910 million, which incorporated the environmental dimension within economic and social development. In that context, she invited the country's bilateral and multilateral partners to an international conference to be held in Algiers in June 2002, organized by the Government jointly with the World Bank, GEF and the United Nations Environment Programme, at which the policy and the strategy of the programme, US$ 400 million of which had already been earmarked, would be outlined. UNIDO, with its essential role in the implementation of the Montreal Protocol, was naturally invited.

60. The exclusion of many countries—in Africa and elsewhere—from the benefits of globalization was a matter for serious concern. A number of African Heads of State, including the President of Algeria, had therefore decided to take joint action to improve the situation, adopting the New Partnership for African Development, which envisaged a new form of cooperation between Africa and its developed partners. The African States undertook to work to consolidate the rule of law, good governance and human resource development, while the developed partners, including the private sector, provided support through significant investment in infrastructure projects and intensive training programmes. It was gratifying to note the positive reaction at several Group of Eight (G-8) summits; a plan of action to aid the implementation of NEPAD was currently being drawn up by the G-8. Several African leaders would participate in the next G-8 summit in Canada. NEPAD constituted a positive step by African leaders to establish a mutually beneficial partnership with the industrial countries. UNIDO would, she was confident, make its own contribution to the enterprise, particularly in the area of infrastructure, small and medium enterprises and training.

61. **Mr. LUCAS** (Observer for Angola) said that, as a result of the reforms of recent years, UNIDO had found suitable strategies for promoting and accelerating industrialization in the developing countries, which would enhance its credibility. Global forum activities, cooperation for development—with special emphasis on capacity-building and productivity—and the integrated approach to technical cooperation programmes were all strategies that should be further consolidated. Much remained to be done, however, particularly as far as the integrated programmes were concerned. The situation regarding the availability of funds was far from satisfactory. All Member States should renew their efforts to make voluntary contributions and support the African proposals in that regard.

62. Angola's political and military situation allied to a certain weakness in the Organization's intervention capacity in the past decade had not been conducive to the implementation of programmes. With peace a definite reality, however, the Government hoped to see that situation reversed. It had already embarked on a programme to rebuild the country's economy, in which industrial development played a key role. UNIDO and other organizations promoting cooperation for development would have an opportunity to demonstrate their efficiency. The country's economic recovery was crucial to the economic and social development of the whole southern African region, given its strategic position and natural resources. The Angolan Government and people were firmly committed to contributing to the development of the African continent.

63. A project to formulate and implement a programme for reviving the food industry in Angola had been approved by UNIDO. Its fundamental objectives were, in the short term, to solve the country's serious food problem and initiate a process of import substitution and, in the medium term, to start exports of agricultural and manufactured products. By some oversight, the project had not been mentioned in the Annual Report. The basic conditions for implementation had already been met and it would undoubtedly have a considerable impact, in view of the fact that the consolidation of peace and stability would enable agricultural activity and industrial production to increase.

64. **Mr. GANSORE** (Burkina Faso) commended the relative financial stability achieved by UNIDO and the improvement in the rate of collection of assessed

contributions. He called on Member States to endeavour to fulfil their obligations to the Organization, as his own country had done, having managed to clear its arrears.

65. In view of the rise in the number of technical cooperation projects in 2001, particularly integrated programmes, the shortfall in financial resources was all the more regrettable. In that context, he expressed gratitude to the Governments of Denmark, Belgium, Austria and Luxembourg for their support for the integrated programme in his country.

66. Given the importance of regional and subregional development, he urged UNIDO to continue its dialogue with States and regional organizations and lend its full support to such initiatives as NEPAD. In that context, he welcomed the launch of the integrated programme targeting agro-industries in West Africa. He also thanked the European Union for its support and funding for the new accreditation, standardization and quality promotion system in countries of the West African Monetary and Economic Union (WAEMU), which was based in Burkina Faso. It was to be hoped that other programmes in the region would receive similar support. Lastly, he associated his delegation with the statement by the representative of France regarding the need for the equitable treatment of all linguistic groups where documentation was concerned.

67. **Mr. KIKINE** (Lesotho) said that the Annual Report 2001 showed that the Organization's finances were fairly healthy. Regrettably, Lesotho was one of the countries which had experienced difficulties in meeting its financial obligations, but that would soon be remedied.

68. His delegation was convinced that the assistance of UNIDO would contribute to poverty alleviation and industrial development in Lesotho. The Organization's interest in his country had been confirmed by the Director-General's recent visit, which had coincided with a general election. The holding of democratic elections was a positive step towards achieving political stability, which was a precondition for economic progress and sustainable industrial development.

69. **Mr. AHMED** (Association of Former United Nations Industrial Development Experts (AFIDE)) said that AFIDE had recently celebrated its fifth anniversary and held its fifth annual general meeting, which had been attended by a large number of its members. In 2002 AFIDE had also been granted special consultative status with the Economic and Social Council, and its President, Ms. Tcheknavorian-Asenbauer, a former Managing Director of UNIDO, had won a Stratospheric Ozone Protection Award from the United States Environmental Protection Agency, in recognition of her role in putting the Montreal Protocol and other environmental issues on the agenda of UNIDO.

70. One of the most important challenges that developing countries and economies in transition faced was that of maximizing the benefits of globalization while minimizing any potential harm. Globalization could result in such countries losing control over their own economic policies and development and the weakening or disappearance of established industries, with the related negative impact on society. Moreover, as such countries represented a small proportion of world economic production, they stood to gain only marginal benefits from trade liberalization. Their hopes that the adoption of the new economic regimen based on private-sector development and the expansion of exports would alleviate poverty would not be fulfilled unless their export production capacities and competitiveness improved.

71. The Third United Nations Conference on the Least Developed Countries had recognized the urgency of the situation and highlighted the fact that, in order to engage in trade, countries needed to have products that could be traded and industries that could produce them. Some countries would require assistance with product quality improvement through various means in order to compete in world markets. The Annual Report 2001 rightly emphasized the importance of standardization and quality control in an export-oriented production strategy. Improvement of capabilities and capacity-building were crucial for development.

72. The scope of the problem was such that it could not be resolved through a piecemeal approach. The Organization's recent collaboration with the World Trade Organization, the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre was therefore to be welcomed. However, UNIDO should not neglect its principal field of expertise, which was promoting the establishment of industrial capabilities in developing countries, with a focus on manufacturing, semi-manufacturing and agro-allied products. In addition to its cooperation with trade-related agencies, UNIDO could also benefit from cooperating with agencies such as the Food and Agriculture Organization.

73. Though the Organization had inadequate resources to complete the entire process of industrial revival, it should continue its efforts to promote industrial development and provide assistance. It was also a crucial source of new ideas and had a pivotal role to play in ensuring that, in an increasingly globalized world, genuine partnership and equity prevailed in trade and industry. It could rest assured of the full cooperation of AFIDE in its endeavours.

74. **Mr. MAGARIÑOS** (Director-General), replying to points raised in the debate, said that the Secretariat would be happy to provide Member States with a report on the Organization's experience with the United

Nations Development Assistance Framework (UNDAF). With regard to the Industrial Development Decade for Africa, the budget allocation for 2002 was US$ 4.8 million, of which US$ 700,000 had been spent so far. Information about the Decade was available in document IDB.24/3 and on the Organization's web site. The Secretariat could provide more details if required. It would also be pleased to prepare background documentation relating to the proposal of Japan for a UNIDO strategy paper.

75. In order to facilitate the preparation of subregional programmes in Latin America involving two or more countries, the Secretariat was currently reviewing the subregional programmes in place in East Africa and the Humboldt Current programme in Peru and Chile. Such programmes were also linked to GEF and would be discussed in more detail with the delegations concerned.

76. He thanked the Philippines for its invitation and said that a UNIDO Representative to the Philippines would be appointed as soon as possible. He also hoped to take up the invitation to visit Yemen so as to help support its project on small and medium enterprises.

77. Following the International Conference on Financing for Development, efforts to facilitate trade were to focus particularly on the least developed countries. The Organization therefore needed to expand its work on the trade agendas of the least developed countries. UNIDO was also cooperating with UNCTAD and WTO in that regard.

78. He welcomed the proposal for expansion of the Organization's membership. He would draw the attention of all States Members of the United Nations which were not members of UNIDO to the success of the recent reform process in the Organization.

FINANCIAL SITUATION OF UNIDO (IDB.25/6 and IDB.25/8; IDB.25/CRP.3, CRP.4 and CRP.6)

79. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, welcomed the improvement in the Organization's financial situation, which was reflected in both the operational budget and the regular budget. The improved rate of collection of assessed contributions had made it possible to implement an increased proportion of regular budget activities in the 2000-2001 biennium. The Secretariat should continue its efforts to recover the outstanding contributions owed by certain States. The voting rights of 57 Member States, including one Board member and one member of the Programme and Budget Committee, had been suspended because of non-payment of dues. The Secretariat might wish to start negotiations with those Member States to resolve the situation.

80. **Mr. NUÑEZ GARCIA-SAUCO** (Spain), speaking on behalf of the European Union and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Romania, Slovakia, Slovenia and Turkey, welcomed the improvement in the financial situation of UNIDO. The Organization's cash position and the improved rate of collection of assessed contributions should facilitate regular budget implementation. Despite the upward trend in the number of Member States whose voting rights had been restored, many other States were still failing to fulfil their financial obligations to UNIDO. He therefore appealed to Member States to pay their assessed contributions in full and on time and, where applicable, settle their arrears, so that UNIDO could carry out its mandate. The European Union was pleased to note that the Government of the United States of America was committed to fulfilling its financial obligations to the Organization. It strongly supported the Director-General's discussions with that Government aimed at finding a solution to the problem, and would like to be kept informed of developments.

81. The European Union welcomed the Organization's recent introduction of the single currency system of assessment based on the euro, which would create savings by streamlining administrative operations and which had set an example for other international organizations in countries where the euro was the local currency.

82. **Mr. RODRÍGUEZ CHACON** (Peru) welcomed the improved financial situation of UNIDO, as reflected in document IDB.25/6, which had made possible the release of 97 per cent of the appropriations for 2002 under the regular budget, as against only 90 per cent for the corresponding period in the biennium 2000-2001. It was similarly gratifying that improved management had led to the increase in the level of the operational budget reserve to 4.9 million euros as at 31 March 2002. For those favourable indicators to be consolidated, UNIDO must be able to rely on the political commitment of Member States, which should be reflected in the necessary financial support. His delegation therefore urged all Member States to continue trying to discharge their efforts to fulfill their financial obligations on time. The Organization's financial situation would also benefit if States that had previously been Members would settle their arrears.

83. **Mr. MSHENSKY** (Russian Federation) said that, for the first time in many years, the Organization's financial situation was stable enough for it to carry out its work effectively. His delegation welcomed the efforts of the Secretariat, including the Director-General himself, to resolve problems relating to the payment of contributions by Member States, through means such as debt restructuring. The work to mobilize resources from international sources and donor countries and

organizations was important and should be continued. The figures contained in the annual report for 2001—net project and programme approvals of US$ 85.6 million and funding through the Industrial Development Fund of US$ 21.6 million—were encouraging.

84. His delegation welcomed the increased cooperation between UNIDO and the European Commission, which would strengthen the Organization's financial situation and help expand activity in priority areas such as quality control and standardization, investment promotion and technology transfer. The adoption of the new scale of assessment at the ninth session of the General Conference had already resulted in greater discipline in the payment of assessed contributions. The collection rate of 91.7 per cent for 2001 testified to Member States' increased confidence in the Organization and their interest in its work. Nonetheless, a significant number of Member States had been deprived of their voting rights because of unpaid arrears.

85. His delegation supported the Secretariat's proposal to improve the provisions governing the distribution of unencumbered balances. The Government of the Russian Federation had taken a decision to allow its share to be used for technical cooperation. The Secretariat should endeavour to make the system of budgetary controls more effective and provide Member States with regular information on the results of such efforts.

86. **Mr. ZSIGMOND** (Hungary) said that, through the efforts of Member States and the Secretariat alike, the Organization's regular and operational budgets were balanced and the Working Capital Fund was stable. It was to be hoped that the rate of collection of assessed contributions would increase still further in 2002. Hungary had paid its assessed contribution in full and called on Member States that had not already done so to pay their contributions without delay. It also urged those countries in arrears to follow the examples of Ukraine, which had negotiated a payment plan and started paying off its arrears, and Azerbaijan, for which a payment plan had also been proposed.

87. The increased level of technical cooperation delivery in 2001 demonstrated the commitment of the donor community to supporting the Organization's activities. Hungary had become a donor and also contributed voluntarily to the Industrial Development Fund. It had already paid its voluntary contribution for 2002 and had renounced its share of unencumbered balances.

88. **Mr. KAMOHARA** (Japan) commended the Secretariat's efforts to improve efficiency and reduce costs. Japan had renounced its share of the unencumbered balances of appropriations, income from new Member States and interest income in excess of budgetary estimates, in accordance with the strong recommendation of the General Conference that all Member States should consider doing so. His delegation was encouraged by the responses received so far and called on those Member States which had not yet done so to inform the Secretariat of their intentions as to the use of their respective shares.

89. The delegation of Japan hoped that a solution to the thorny problem of arrears would be found at the earliest opportunity. It was encouraging that UNIDO had received the first instalment from Ukraine under that country's payment plan and that a similar plan had been proposed for Azerbaijan. He called on other Member States in arrears to follow that example.

90. **Mr. ZHANG Yan** (China) welcomed the improvement in the financial situation of UNIDO and said that, although a number of countries were still in arrears, it was encouraging that Ukraine had begun to settle its arrears on the basis of its payment plan and that a similar plan had been proposed for Azerbaijan. It was to be hoped that other countries in arrears, particularly developed countries, would follow suit.

91. In an age of globalization and mutually dependent economies, cooperation through UNIDO between developed and developing countries was a process beneficial to both sides. Technical assistance to developing countries helped to alleviate poverty by enhancing industrial production capacities, promoting trade and development, improving the investment environment, fostering internal markets and strengthening purchasing power. China would continue to support the work of UNIDO and to pay its assessed contributions in full and on time.

92. **Mr. KIM Chang-mo** (Republic of Korea) welcomed the overall improvement in the financial situation of UNIDO, the increased level of technical cooperation delivery and the improved rate of collection of assessed contributions. However, substantial amounts were still owed to the Organization and the voting rights of many Member States had been suspended. His delegation therefore urged all States in arrears to make their utmost efforts to clear the outstanding payments.

93. **Mr. HASSAN** (Sudan), speaking on behalf of the African Group, welcomed the fact that the rate of collection of assessed contributions for 2002 had improved in comparison with the previous two years. His delegation urged all present and former Member States in arrears to settle their outstanding payments, in particular those States whose voting rights had been suspended.

The meeting rose at 1.05 p.m.